

MEMORANDUM FOR: Chief, Management Support Staff, OLC

VIA: Deputy Director for Administration
Director of Logistics

FROM: DCK

SUBJECT: Testimony by the Director of Logistics
Before the ~~House~~ Subcommittee on Federal
Spending Practices and Open Government

Senate Government Affairs

1. As agreed in our meeting with Mr. Roman of the Subcommittee on Federal Spending Practices and Open Government on 7 May, we have attached an "opening statement" to be given by the Director of Logistics in his testimony before that subcommittee on 13 June 1979. This statement summarizes our disagreement with the General Services Administration (GSA) concerning the acquisition of security filing cabinets (safes) for use by this Agency both domestically and abroad. We believe this statement provides a more complete and balanced statement of the facts than that which is contained in the draft questions and answers originally suggested by Mr. Roman.

2. During the meeting Mr. Roman asked that we also provide information on the extent to which we procured safes directly from safe manufacturers other than Art Metal, the differences in prices of safes so procured, and any other dealings we have had with Art Metal. Regarding his first

question, we did procure safes from other manufacturers both under Federal Supply Service contract and directly, most frequently when the safes had to be modified to meet unique Agency requirements. The acquisition prices were those shown on the schedule or, in the case of unique requirements, the best negotiated price possible. Finally, regarding other dealings with Art Metal, we have procured furniture from them under schedule, but the scope has been very modest, as generally we procure from other manufacturers who are also on schedule. We are unaware of any major problems with Art Metal furniture so procured.

3. Please advise if we need provide additional information. As you suggested, we will leave ^{to you} coordination with the Office of General Counsel, ~~and~~ Public Affairs, ~~to you~~. *Inspector General, ~~and~~ and the DCI.* We would also suggest a meeting between you and personnel of our Supply and Procurement Divisions to ~~full~~ brief you in more detail ~~and~~ on the issues discussed in paragraph 2 above. 25X1

Att

question, we did procure safes from other manufacturers both under Federal Supply Service contract and directly, most frequently when the safes had to be modified to meet unique Agency requirements. The acquisition prices were those shown on the schedule or, in the case of unique requirements, the best negotiated price possible. ^{which did not exceed FSS} Finally, regarding other dealings with Art Metal, we have procured furniture from them under schedule, but the scope has been very modest, as generally we procure from other manufacturers who are also on schedule. We are unaware of any major problems with Art Metal furniture so procured.

3. Please advise if we need provide additional information. As you suggested, we will leave ^{to you} coordination with the Office of General Counsel, ~~and~~ Public Affairs, ~~to you.~~ *Inspector General, ~~and~~ and the DCI.* We would also suggest a meeting between you and personnel of our Supply and Procurement Divisions ^{Att} to ~~brief~~ brief you in more detail ~~and~~ on the issues discussed in paragraph 2 above. 25X1

STAT

Approved For Release 2003/05/06 : CIA-RDP87-00558R000100040005-8

Approved For Release 2003/05/06 : CIA-RDP87-00558R000100040005-8

OUR NEXT WITNESS THIS MORNING WILL BE MESSRS. AND FROM
THE CENTRAL INTELLIGENCE AGENCY. GENTLEMEN, WILL YOU COME FORWARD TO BE SWORN PLEASE?

(SWEAR THEM IN)

I WOULD LIKE TO CONGRATULATE YOU ON WINNING YOUR TWELVE YEAR BATTLE WITH THE
GENERAL SERVICES ADMINISTRATION. IT APPEARS YOU HAVE SUCCESSFULLY MANAGED TO OBTAIN
SAFES FOR USE OVERSEAS WHICH ARE SUFFICIENTLY SECURE TO KEEP THE KGB OUT OF OUR
FILES. FROM THE INFORMATION YOU HAVE SUPPLIED US, IT WOULD APPEAR THAT THIS BATTLE
WAS A JOINT EFFORT, CONDUCTED UNDER THE UMBRELLA OF THE INTERAGENCY ADVISORY
COMMITTEE ON SECURITY EQUIPMENT, AND INCLUDED THE DEPARTMENTS OF STATE AND DEFENSE
AS WELL AS CIA. I WOULD LIKE TO REVIEW WITH YOU THE INFORMATION YOU HAVE SUPPLIED
US AND SEE IF MY CONCLUSION AGREE WITH YOURS. IF YOU WILL, SINCE THE COMPANY HAS
CHANGED ITS NAME, LET US REFER TO THE ART METAL COMPANY BY ITS CURRENT NAME, RATHER
THAN THE NAME OF HILLSIDE METAL PRODUCTS, WHICH WAS USED UNTIL 1974. THE THRUST OF
OUR INFORMATION IS THAT YOU AND THE OTHER AGENCIES CONSIDERED THE SAFES MANUFACTURED
BY ART METAL DID NOT MEET YOUR REQUIREMENTS. IS THAT CORRECT?

a. yes

AND THAT THE QUALITY OF MANUFACTURE WAS DEFICIENT?

a. yes

AND THAT THE SAFES PRESENTED A SAFETY HAZARD?

a. yes

AND THAT THE ART METAL SAFES REPRESENTED A SECURITY HAZARD?

a. yes

AND THAT ART METAL SAFES WERE NEVER APPROVED FOR ISSUE TO OVERSEAS INSTALLATIONS?

a. yes

True other did

AND THAT THE AGENCIES EVENTUALLY REFUSED TO PURCHASE ANY MORE ART METAL SAFES?

a. yes

True never approved the Hillside

AND THAT GSA FOUGHT YOU EVERY INCH OF THE WAY ANYWAY?

a. yes

on first 130

cia

PAGE TWO

SAFES

LET'S START ON JULY SECOND, 1965. THAT WAS QUITE A WHILE AGO! LYNDON JOHNSON WAS PRESIDENT, THE BUDGET WAS STILL UNDER A HUNDRED BILLION DOLLARS, AND GAS WAS 30 CENTS A GALLON.

ON THAT DAY THE STATE DEPARTMENT WROTE TO COMMISSIONER ABERSFELLER OF THE FEDERAL SUPPLY SERVICE. HE PLEADED WITH HIM NOT TO GO OUT ON A SINGLE AWARD BASIS FOR SAFES, SINCE THE SAFES HAD TO MEET SPECIAL SECURITY STANDARDS, AND IF THEY HAD TO RELY ON A SINGLE MANUFACTURER, A FIRE OR A STRIKE COULD CAUSE A SECURITY CRISIS OVERSEAS. HE ALSO STRESSED THAT THE AGENCIES WANTED TO USE THEIR OWN INSPECTORS TO MAKE SURE THEY GOT A GOOD AND SECURE PRODUCT. TWO WEEKS LATER, CIA WROTE AND SAID THE SAME THING.

FOR ONCE, I CAN SEE WHERE A USE OF THE MULTIPLE AWARD SCHEDULE MADE SENSE. GSA, HOWEVER, FOR ONCE INSISTED ON GOING THE SEALED BID ROUTE. DID THEY SAY WHY IT WAS SO NECESSARY IN THIS CASE?

a. they just did it.

25X1 BY 1969, WHEN THE CONTRACT WAS AWARDED AND THE SAFES STARTED COMING IN, THE TROUBLE BEGAN.

MR. [REDACTED], THE CHIEF CIA SAFE TECHNICIAN, INSPECTED THE FIRST 130 TO ARRIVE.

THEY ALL FAILED, IS THAT CORRECT?

yes

YOUR REPORT NOTES THAT THEY WERE OF QUOTE "SHODDY CONSTRUCTION", HAD SHARP EDGES, AND FAILED TO MEET THE SPECIFICATION. IS THAT CORRECT?

a. yes

WAS THE FACT THAT THAT IT WAS POSSIBLE TO LOCK THE SAFE WHEN WHEN OF THE DOORS WAS OPEN CONSIDERED A SECURITY HAZARD?

a. yes

WHAT DID YOU DO ?

back to GSA

a. tried to work with Art Metal, eventually they sent in a company named Safemasters to make repairs.

BUT THE REPAIRS WERE NOT SATISFACTORY?

a. they were not.

DID YOU INFORM GSA? WHAT DID THEY DO?

had to take them anyway

a. Mr. Brown of quality assurance said tough darts: that's

all they were going to get.

ABOUT THAT TIME, THE ASSISTANT SECRETARY OF DEFENSE NOTIFIED GSA THAT THE ARMY'S NATICK LABORATORY HAD TESTED THE ART METAL SAFE AND REPORTED QUOTE "THE SAFE

IS CONSIDERED AN INFERIOR ITEM AND NOT CAPABLE OF PERFORMING ITS INTENDED MISSION. END QUOTE

CIA

PAGE THREE

SAFES

HE SAID THAT DEFENSE SIMPLY WASN'T GOING TO BUY ANYMORE. WHAT WAS GSA'S RESPONSE?

a. Spangler wrote back and said he was fixing it.

WAS IS FIXED? THE NEXT CORRESPONDENCE WE HAVE IS IN NOVEMBER 1969, WHERE MR. [] 25X1
OF CIA NOTED THAT THE CABINETS WERE STILL DEFICIENT, AND RECOMMENDED THAT CIA
NOT BUY ANYMORE AND NOT USE ART METAL SAFES OVERSEAS.

GSA TESTED THE SAFES IN JANUARY 1970. THEY STILL FAILED. IN JULY, MR. [] TOGETHER 25X1
WITH MR. LAWLESS OF GSA TESTED THEM AGAIN. THEY STILL FAILED. MR. [] RECOMMENDED 25X1
THAT, BECAUSE OF QUOTE "INITIAL POOR WORKSMANSHIP AND PLANT QUALITY CONTROL, THESE
60 SAFES NOT BE SENT OVERSEAS," AND THAT CIA SHOULD TRY AND GET THEIR MONEY BACK. DID
YOU EVER GET YOUR MONEY BACK?

a. probably not

BY JULY 1971, CIA HAD DISAPPROVED ART METAL AS A SOURCE FOR SAFES. BUT BY 1974
THEY WERE STILL PLEADING WITH GSA TO STOP MAKING AWARDS TO ART METAL FOR SAFES THAT
NOBODY WANTED. WHAT DID GSA REPLY?

a. tough darts

IF I UNDERSTAND IT CORRECTLY, CIA NOW WENT OUT ON ITS OWN AND BOUGHT BETTER SAFES
IN 1976?

a. right

did that work?

a. no- had to go through GSA

NOW THE BETTER SAFES WERE ON THE MULTIPLE AWARD SCHEDULE, BUT GSA PUT THEM UP FOR
BIDS. ART METAL WON THE CONTRACT OF COURSE?

a. of course.

DI YOU EVER GET ANY SAFES YOU COULD USE?

a. eventually, no thanks to GSA.

SO IT TOOK YOU TWELVE YEARS OF BATTLING WITH GSA BEFORE YOU FINALLY GOT SOMETHING
WHICH WOULD KEEP THE KGB'S NOSES OUT OF OUR FILING CABINETS?

a. yes

PLEASE ACCEPT MY CONGRATULATIONS. YOU ARE ABOUT THE ONLY GOVERNMENT AGENCY WHO I
KNOW OF WHO EVER WON A FIGHT WITH GSA WHERE ART METAL WAS CONCERNED. THANK YOU FOR
YOUR TESTIMONY.

Security Containers

- 1 List all P.O. DO's, Contracts for security container 1965 to date by Vendor

Order No	Qty	Amount	FSS	NST FSS
----------	-----	--------	-----	------------

- 2 Any memos concerning safes - internal or external

- 3 Copies of FSS re safes -

- 4 List all P.O. DO Contracts with Art Metal

- 5 Any memos concerning Art Metal

- 6 Action (1) See 1-5

(2) Karen search subject file index for following:

safes, security containers, Hillside, Art Metal, Diebold, Nosler

(3) Karen task 'CONF' for any contracts with firms in (2)

(4) Padanna review archive lists for firms in (2)

Security Containers

- 1 List all P O, D O's, Contracts for security containers 1965 to date by Vendor
Order No Qty Amount FSS ^{NTR} FSS
- 2 Any memos concerning safes - internal or external
- 3 Copies of FSS re safes -
- 4 List all P O D O Contracts with Art Metal
- 5 Any memos concerning Art Metal
- 6 Action (1) See 1-5
(2) Karen search subject file index for following:
safes, security containers, Halliburton, Art Metal, Diebold, Hoxler
(3) Karen task 'CONF' for any contracts with firms in (2)
(4) Padanna review archive lists for firms in (2) - Summarize by Vendor, Order#, Qty Amt Date Description